



## Gold Mining Industry, Imperilled by Rising Costs, Demands Higher Price

**Expert Says That Low Grade Ores, the Principal Source of Supply, Cannot Be Worked Profitably Under Present Conditions, and Urges Measures to Stimulate Production in Order to Provide an Adequate Foundation for Inflated Currency**

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**THE** attention of the Treasury Department of the United States and, in a limited degree, of members of Congress and the banking industry of the country has recently been called to the serious situation in which the gold mining industry of America and the world finds itself, due to the materially increased cost of labor and supplies resulting from the war, and the unique fact that the value of the product produced—gold—fixed in price by the government, has therefore had no proportionate increase in its market value.

By far the greater quantity of gold now produced necessarily comes from low grade deposits in which the margin of profit is small.

other countries in payment for credits unless it be backed up with proper gold reserve, and, as a rule, will not accept payment excepting in gold itself.

The necessity of finding a fixed basis for credit became pronounced as international trade developed to large proportions. The first country to adopt gold as the standard of value was England, and this was later accepted and adopted by all the principal nations of the earth.

One of the most important and interesting questions arising in this discussion is the value of gold as now fixed and accepted by the leading nations of the world.

the Allies in affecting the credit structure of the Central Powers.

It is a well known fact that the issue of paper credit by the Central Powers to their own people and the adjacent neutrals has been necessarily in far greater proportion to their gold reserve than in the case of the Allies.

### Need of Adequate Gold Foundation

So long as these countries are dealing with themselves only and unable to engage in international business, and just so long as their governments remain strong enough to compel the peoples of the Central Powers to accept such paper issue on its face value

**Price Fixed Arbitrarily**

The price of pure gold in our stand-

ard of money is fixed at \$20.67 an ounce. This value was arbitrarily

grade deposits resulting from unusual concentration, are, by the very nature of things, rare.

**Supply Comes Chiefly From Low-Grade Ore**

In addition to this, these high grade

this, while England had adopted gold as a standard, she had been in the habit of purchasing gold on the open market at a variable range of prices.

The German financiers are aware of this, but expect to build up their gold reserve through their ability to sell in the world markets materials and sun-

deposits are the first to be found, mined and depleted. The active and persistent search for gold, as continued through the past, has resulted in a very com-

plete knowledge of its occurrence in nature, and the discovery and subsequent working out of the higher grade

deposits; those engaged in the industry and familiar with its occurrence are agreed the future of the gold mining industry and of gold production in the world is now and will hereafter be dependent mainly upon low grade deposits.

Taking this into consideration and the present fixed value of gold, and the rapidly rising increased costs of materials, it has been fixed by the Bank of England, and sustained with the approval of the British government, is selling at \$33, as against \$15 before the war—and the cost of almost every other important commodity has risen

The important fact regarding this, in so far as the present discussion is concerned, is that the price as fixed was purely arbitrary.

Even if measured in the currency of the time at which this occurred, when gold was calculated to be worth \$20.67

the low grade deposits is now being made at a loss. Last month 300,000 ounces of gold produced in the Rand—the most substantial producing area in the world—was sold at a price of \$100 an ounce, it is evident, the very great increase in the demand for this product and increased cost in producing it, that this valuation is now incorrect, and financiers have boasted of this condition repeatedly. This amounts to the same thing on the part of Germany as placing a premium on our gold supply, such premium being equivalent to the

the world—were sold to the government at less than cost, and this same condition is true of several of the largest operations in Alaska, Canada and the

United States. It is inevitable that unless some form of bonus is given to the producing mines, or an actual increase in the demand has been as great as now, in order to sustain a reasonable reserve against the government issues of bonds, certificates, etc. will offset this difference to some degree, the easiest, most sensible—most practical and quickest way to place German labor and industry on a parity with the United States and her Allies.

value of the product itself is made by the several countries in the world in which gold is now being mined, the important producers will be compelled

to discontinue operations and the already decreasing production of gold will be further and most seriously affected.

It is obvious, likewise, that the calculated profits on ore based on pre-war conditions, and on which operations were established, have ceased to exist. The amount of gold held by the Reserve banks has almost doubled, the ratio of gold to net deposits and Federal Reserve notes combined has fallen in the

The quantity of gold coming into the United States and now held by the

war basis have, under present conditions, to be entirely written off. Only the higher grade sections of the operating mines (always occurring in small quantities) are profitable. The United States and now held by the United States was doubled because of the tremendous quantities of war materials and supplies sold to the foreign powers. The gold supply necessary to establish a proper reserve against the paper credit structure which has been de-

In other words, no low grade gold mining operation conceived, financed

and developed under pre-war conditions can possibly work out as originally planned, nor can they hope to continue their operations for any length of time found its way to this country. It is unlikely this condition will continue now that we have entered the war, for our large armies now in

unless a bonus is offered by the government to compensate for the increased operating costs or the actual value of the gold fixed by the government. France require huge expenditures, and purchases made in foreign countries must be paid for in gold and, as Mr. McAdoo has pointed out in his letter, United States, who, as has been pointed out, control the gold supply of the world, and by suitable legislation in their respective countries. It would be necessary, of course, first

ment is materially increased.

**Is Gold Mining  
An Essential Industry?**

The question therefore presents itself: Is the production of gold a necessity, and is gold mining an essential

In order to determine this, some of the operators from Alaska, through Delegate Charles A. Sulzer, from that

country, raised this question with Mr. William McAdoo, Secretary of the Treasury, who, in a letter addressed to Mr. Sulzer dated June 10, 1918, very

clearly and forcibly defines the position of the gold mining industry as next to that of the production of food and ammunition pointing out at the same time the enormous loss to the country and the further and material decrease in the immediate future.

As a matter of actual fact, the United States is paying out to-day gold at a price of \$20.67 per ounce, while the present market price of \$20.67, the redemption of certificates or bonds will receive half as much gold as they would now receive in redeeming their paper; but if half an ounce of gold is worth twice as much today as it was a year ago, the same amount of gold will buy twice as much goods as it did a year ago.

the same time the necessity of increasing the gold reserve of the country to sustain the great credit structure now being developed in order to finance the

The use of gold as the basis of credit and exchange has been so firmly established and has proved so universally beneficial that it is not surprising that this gold situation which apparently has been lost sight of, having a direct and most important bearing on the war itself.

As has been pointed out by Mr. Henry Jennings, consulting engineer of the Bureau of Mines, 91 per cent of the gold and gold mining districts of

positively stated that no other commodity compares with gold for this particular purpose, and there is no other likely or possible substitute.

Nor will there be so long as there are separate nations and governments on the face of the earth; all balances in international trade must be paid

for in some fixed and unchangeable medium like gold.

Nations will not accept the paper of following, this is not alone an interesting fact, but one which, if properly handled as a war measure, can be used to very great advantage by

between the \$20 and \$20.67 being made up of copper, added for the purpose of making the coin harder and more

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are separate nations and governments on the face of the earth; all balances in international trade must be paid for in some fixed and unchangeable medium.

Nations will not accept the paper of the one which, if properly handled as a war measure, can be used to very great advantage by the one making the coin harder and more valuable.

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